

Pine River Township

Financial Statements

March 31, 2006



Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Pine River Township	County Gratiot
Fiscal Year End March 31, 2006	Opinion Date May 16, 2006	Date Audit Report Submitted to State August 24, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

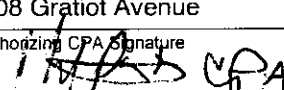
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	No Other Reports Required - Single Audit Not Applicable	
Certified Public Accountant (Firm Name) Roslund, Prestage & Company, P.C.		Telephone Number 989-463-6123	
Street Address 308 Gratiot Avenue		City Alma	State MI
Zip 48801			
Authorizing CPA Signature 		Printed Name CHAD R. PAYTON, CPA	License Number 21946

Pine River Township
Financial Statements
March 31, 2006

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Pine River Township Board
March 31, 2006

Kevin Beeson

Supervisor

Gary Lofgren

Clerk

Elnora VanderVeen

Treasurer

Dave Best

Trustee

Jeff Baker

Trustee



Independent Auditor's Report

Pine River Township Board
Gratiot County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pine River Township, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Township, as of March 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2006, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages I-III, and budgetary comparison information on page 20, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Roslund, Prestage & Co, PC

Roslund, Prestage & Company, P.C.
Certified Public Accountants

May 16, 2006

MANAGEMENT DISCUSSION AND ANALYSIS

PINE RIVER TOWNSHIP
Management's Discussion and Analysis

Using this Annual Report

We, the Board of Trustees of Pine River Township, offer citizens of the Township our financial statements with this narrative overview and analysis of the financial activities of Pine River Township for the fiscal year ended March 31, 2006.

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of Pine River Township as a whole, and present a longer-term view of the Township's finances.

Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Financial Highlights

The unrestricted net assets of Pine River Township exceeded its liabilities at the close of the most recent fiscal year by \$2,105,234, which may be used to meet the Township's ongoing obligations to citizens and creditors. Of this amount, \$912,851 is for Governmental Activities (i.e. General Fund and Fire Fund) and \$1,192,383 is for Business-Type Activities (i.e. Sewer Funds).

As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$912,851, a decrease of \$129,256 from the prior year fund balance.

The current level of unrestricted net assets for our governmental activities stands at \$912,851, or about 185% of expenditures.

The Township's total expenditures increased by \$141,710 for Governmental Activities, and decreased by \$13,383 for Business-Type Activities.

Business-Type Activities

The Township's Business-Type Activities consist of the Saint Louis Sewer Fund and the Alma Sewer Fund. We provide sewer services to customers primarily along and adjacent to M-46 between Saint Louis and the US-127 Expressway, as well as along Begole Road from Alma city limits to Cheesman Road; Cheesman Road from Begole Road to Alger Road; Alger Road from Alma city limits to M-46, and M-46 from the US-127 Expressway to approximately ½ mile west of Alger Road. These two sewers are connected to waste treatment plants in Alma and

Saint Louis, and longstanding agreements remain in place to provide for proper sewer treatment and disposal.

The Township's Funds

The analysis of our Township's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as the Fire fund.

The General fund pays for most of the Township's governmental services.

General Fund Budgetary Highlights

Over the course of the year, the Township Board of Trustees amended the budget to take into account events during the year. There were no significant changes. An addition to the Township Hall was substantially completed this year. The project created a new public entrance that provides security for staff members. It also created an entrance lobby to the rental hall. This entrance is five times larger than its' predecessor, allowing for ample room to hang coats and dry shoes before entering the carpeted rental hall. Storage garage and records storage facilities were also created with the addition. Also, the Board of Trustees partnered with the City of Alma and Seville Township in initial plans to develop a rails to trails project in the southern portion of the Township. The Fred Meijer Heartland Trail will run from Alma to Greenville when completed. Budget-to-actual statements are shown on page 20.

Capital Asset and Debt Administration

At the end of March 2006, the Township had \$1,217,116 invested in cash accounts and had \$800,000 in Certificates of Deposit. \$1,621,525 was uninsured and uncollateralized. Deposits which exceed FDIC coverage limits are held at local banks. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for next year includes a very conservative estimate for State Revenue Sharing payments. These funds have gradually been reduced, and Pine River Township has estimated further reductions for next year. Because some properties increase in value by less than inflation, and Proposal A caps new growth at the rate of inflation, the mathematical result is that the total taxable value of the Township will grow by less than the rate of inflation, before

considering new property additions. Some promising industrial and commercial speculation is occurring in the Township; if they fully develop, the township will change dramatically.

Contacting your Township

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township at 989.681.5523, or write to us at:

**Pine River Township
1495 W Monroe Road
Saint Louis, MI 48880**

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

Pine River Township
Statement of Net Assets
March 31, 2006, With Comparative Data

	Governmental Activities	Business-Type Activities	Total	2005
Assets				
Current assets				
Cash and cash equivalents	\$838,990	\$1,178,126	\$2,017,116	\$2,066,920
Due from other governmental units	40,906	-	40,906	39,120
Accounts receivable	-	26,546	26,546	23,596
Taxes receivable	9,608	-	9,608	15,301
Special assessments receivable	19,973	6,818	26,791	23,465
Prepaid expenses	11,636	-	11,636	10,450
Internal balances	13,698	(13,698)	-	-
Total current assets	934,811	1,197,792	2,132,603	2,178,852
Noncurrent assets				
Capital assets, net of accumulated depreciation	303,309	534,142	837,451	800,191
Special assessments receivable	131,962	-	131,962	168,801
Total noncurrent assets	435,271	534,142	969,413	968,992
Total assets	1,370,082	1,731,934	3,102,016	3,147,844
Liabilities				
Current liabilities				
Accounts payable	8,184	5,409	13,593	18,343
Accrued liabilities	13,776	-	13,776	4,513
Total current liabilities	21,960	5,409	27,369	22,856
Long-term liabilities				
Deferred revenues	131,962	-	131,962	156,425
Total liabilities	153,922	5,409	159,331	179,281
Net Assets				
Invested in capital assets, net of related debt	303,309	534,142	837,451	800,191
Unrestricted	912,851	1,192,383	2,105,234	2,168,372
Total net assets	\$1,216,160	\$1,726,525	\$2,942,685	\$2,968,563

See accompanying notes to financial statements.

Pine River Township
Statement of Activities
For the year ended March 31, 2006, With Comparative Data

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Governmental Activities	Business-Type Activities	Total
Functions/Programs					
Governmental Activities:					
Legislative	\$42,240	-	(\$42,240)	-	(\$42,240)
General government	142,294	-	(142,294)	-	(142,294)
Public safety	118,367	-	(118,367)	-	(118,367)
Public works	158,941	\$24,464	(134,477)	-	(134,477)
Community and economic development	32,094	5,759	(26,335)	-	(26,335)
Total governmental activities	493,936	30,223	(463,713)	-	(463,713)
Business-Type Activities					
Water and sewer	154,131	152,052	-	(\$2,079)	(2,079)
Total primary government	\$648,067	\$182,275	(463,713)	(2,079)	(465,792)
General Revenues					
Property taxes			197,295	-	197,295
State revenues			170,171	-	170,171
Investment earnings			25,672	28,446	54,118
Other revenues			17,970	360	18,330
Total general revenues			411,108	28,806	439,914
Change in net assets			(52,605)	26,727	(25,878)
Net assets - beginning of year			1,268,765	1,699,798	2,968,563
Net assets - end of year			\$1,216,160	\$1,726,525	\$2,942,685

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

Pine River Township
Balance Sheet
Governmental Funds
March 31, 2006, With Comparative Data

	Major Funds		Total (Memorandum Only)	2005
	General Fund	Fire Fund		
<u>Assets</u>				
Cash and cash equivalents	\$707,123	\$131,867	\$838,990	\$964,119
Due from other governmental units	40,906	-	40,906	39,120
Taxes receivable	4,195	5,413	9,608	15,301
Special assessments receivable	151,935	-	151,935	176,796
Prepaid expenses	-	11,636	11,636	10,450
Due from other funds	13,698	-	13,698	5,294
Total assets	<u>\$917,857</u>	<u>\$148,916</u>	<u>\$1,066,773</u>	<u>\$1,211,080</u>
<u>Liabilities and Fund Equity</u>				
Liabilities				
Accounts payable	\$8,184	-	\$8,184	\$8,035
Accrued liabilities	13,776	-	13,776	4,513
Deferred revenues	131,962	-	131,962	156,425
Total liabilities	<u>153,922</u>	<u>-</u>	<u>153,922</u>	<u>168,973</u>
Fund equity				
Reserved for:				
Prepaid items	-	\$11,636	11,636	10,450
Designated for:				
Road improvements	250,000	-	250,000	-
Buildings and grounds	13,500	-	13,500	-
Equipment purchases	-	125,000	125,000	-
Unreserved & undesignated	500,435	12,280	512,715	\$1,031,657
Total fund equity	<u>763,935</u>	<u>148,916</u>	<u>912,851</u>	<u>1,042,107</u>
Total liabilities and fund equity	<u>\$917,857</u>	<u>\$148,916</u>	<u>\$1,066,773</u>	<u>\$1,211,080</u>

See accompanying notes to financial statements.

Pine River Township
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Assets of Governmental Activities on the Statement of Net Assets
For The Year Ended March 31, 2006

Total fund balance - governmental funds		\$912,851
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost of capital assets	\$437,139	
Accumulated depreciation	<u>(133,830)</u>	
		<u>303,309</u>
Net assets of governmental activities		<u>\$1,216,160</u>

See accompanying notes to financial statements.

Pine River Township
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year Ended March 31, 2006, With Comparative Data

	Major Funds		Total (Memorandum Only)	2005
	General Fund	Fire Fund		
Revenues				
Taxes and penalties	\$95,801	\$101,494	\$197,295	\$195,505
Licenses and permits	5,759	-	5,759	8,269
State grants	170,171	-	170,171	170,692
Interest and rentals	22,022	3,650	25,672	16,015
Other revenues	39,378	-	39,378	80,129
Total revenues	<u>333,131</u>	<u>105,144</u>	<u>438,275</u>	<u>470,610</u>
Expenditures				
Legislative	42,240	-	42,240	38,700
General government	118,797	-	118,797	110,936
Public safety	-	118,367	118,367	93,453
Public works	158,941	-	158,941	69,795
Community and economic development	32,094	-	32,094	17,206
Capital outlay	97,092	-	97,092	10,184
Total expenditures	<u>449,164</u>	<u>118,367</u>	<u>567,531</u>	<u>340,274</u>
Excess of revenues over (under) expenditures	(116,033)	(13,223)	(129,256)	130,336
Fund balance - beginning of year	<u>879,968</u>	<u>162,139</u>	<u>1,042,107</u>	<u>911,771</u>
Fund balance - end of year	<u>\$763,935</u>	<u>\$148,916</u>	<u>\$912,851</u>	<u>\$1,042,107</u>

See accompanying notes to financial statements.

Pine River Township
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Year Ended March 31, 2006

Net change in fund balances - total governmental funds (\$129,256)

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated over
their estimated useful lives as depreciation expense.

Add: capital outlay	97,092
Add: donated fixed asset	4,800
Deduct: depreciation expense	(23,496)
Disposal of fixed assets	<u>(1,745)</u>

Change in net assets of governmental activities (\$52,605)

See accompanying notes to financial statements.

Pine River Township
Statement of Net Assets
Proprietary Funds
March 31, 2006, With Comparative Data

	Business-Type Activities Enterprise Funds			
	Alma Sewer Fund	St. Louis Sewer Fund	Total	2005
Current assets				
Cash	\$1,027,354	\$150,772	\$1,178,126	\$1,102,801
Accounts receivable	13,591	12,955	26,546	23,596
Special assessment receivable	6,818	-	6,818	3,094
Total current assets	<u>1,047,763</u>	<u>163,727</u>	<u>1,211,490</u>	<u>1,129,491</u>
Non-current assets				
Property and equipment				
Equipment	1,627	1,627	3,254	3,254
Sewer system	598,335	977,295	1,575,630	1,575,630
Total property and equipment	599,962	978,922	1,578,884	1,578,884
Less: accumulated depreciation	(423,377)	(621,365)	(1,044,742)	(1,005,351)
Net property and equipment	176,585	357,557	534,142	573,533
Special assessments receivable	-	-	-	12,376
Total noncurrent assets	<u>176,585</u>	<u>357,557</u>	<u>534,142</u>	<u>585,909</u>
Total assets	<u>1,224,348</u>	<u>521,284</u>	<u>1,745,632</u>	<u>1,715,400</u>
Current liabilities				
Accounts payable	5,409	-	5,409	10,308
Due to other funds	6,849	6,849	13,698	5,294
Total current liabilities	<u>12,258</u>	<u>6,849</u>	<u>19,107</u>	<u>15,602</u>
Total liabilities	12,258	6,849	19,107	15,602
Net assets				
Invested in capital assets, net of related debt	176,585	357,557	534,142	573,533
Unrestricted	1,035,505	156,878	1,192,383	1,126,265
Total net assets	<u>\$1,212,090</u>	<u>\$514,435</u>	<u>\$1,726,525</u>	<u>\$1,699,798</u>

See accompanying notes to financial statements.

Pine River Township
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
March 31, 2006, With Comparative Data

	Business-Type Activities Enterprise Funds			
	Alma Sewer Fund	St. Louis Sewer Fund	Total	2005
Operating revenues				
Charges for services	\$77,119	\$74,933	\$152,052	\$133,864
Operating expenses				
Salaries	4,202	4,202	8,404	6,439
Supplies	265	669	934	732
Contractual services	55,011	47,233	102,244	118,759
Depreciation	14,959	24,432	39,391	39,390
Other	1,637	1,521	3,158	2,194
Total operating expenses	76,074	78,057	154,131	167,514
Operating income (loss)	1,045	(3,124)	(2,079)	(33,650)
Nonoperating revenues				
Interest income	24,934	3,512	28,446	12,471
Other revenue	-	360	360	4,111
Net income (loss)	25,979	748	26,727	(17,068)
Net assets, beginning of year	1,186,111	513,687	1,699,798	1,716,866
Net assets, end of year	<u>\$1,212,090</u>	<u>\$514,435</u>	<u>\$1,726,525</u>	<u>\$1,699,798</u>

See accompanying notes to financial statements.

Pine River Township
Statement of Cash Flows
Proprietary Funds
March 31, 2006, With Comparative Data

	Business-Type Activities Enterprise Funds			2005
	Alma Sewer Fund	St. Louis Sewer Fund	Total	
Cash flows from operating activities				
Receipts from customers	\$83,226	\$74,528	\$157,754	\$142,026
Payments to suppliers / outsiders	(56,589)	(54,646)	(111,235)	(128,593)
Payments to employees	(4,202)	(4,202)	(8,404)	(6,439)
Internal activity - payments to other funds	4,202	4,202	8,404	3,518
Net cash provided by operating activities	<u>26,637</u>	<u>19,882</u>	<u>46,519</u>	<u>10,512</u>
Cash flows from investing activities				
Interest income	24,934	3,512	28,446	12,471
Other receipts	-	360	360	4,111
Net cash provided by investing activities	<u>24,934</u>	<u>3,872</u>	<u>28,806</u>	<u>16,582</u>
Net increase in cash and cash equivalents	<u>51,571</u>	<u>23,754</u>	<u>75,325</u>	<u>27,094</u>
Cash and cash equivalents, beginning of year	<u>975,783</u>	<u>127,018</u>	<u>1,102,801</u>	<u>1,075,707</u>
Cash and cash equivalents, end of year	<u>\$1,027,354</u>	<u>\$150,772</u>	<u>\$1,178,126</u>	<u>\$1,102,801</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$1,045	(\$3,124)	(\$2,079)	(\$33,650)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	14,959	24,432	39,391	39,390
(Increase) decrease in:				
Accounts receivable	1,135	(4,085)	(2,950)	2,773
Special assessments receivable	4,972	3,680	8,652	5,389
Increase (decrease) in:				
Accounts payable	324	(5,223)	(4,899)	(6,908)
Due to other funds	4,202	4,202	8,404	3,518
Net cash provided by operating activities	<u>\$26,637</u>	<u>\$19,882</u>	<u>\$46,519</u>	<u>\$10,512</u>

See accompanying notes to financial statements.

Pine River Township
Statement of Net Assets
Fiduciary Fund
March 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>Assets</u>		
Cash	\$3,592	\$2,245
Due from County	<u>14,287</u>	<u>25,539</u>
 Total Assets	 <u><u>\$17,879</u></u>	 <u><u>\$27,784</u></u>
 <u>Liabilities</u>		
Due to Townships	\$17,434	\$26,628
Other Liabilities	<u>445</u>	<u>1,156</u>
 Total Liabilities	 <u><u>\$17,879</u></u>	 <u><u>\$27,784</u></u>

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Pine River Township
Notes to Financial Statements
March 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Pine River Township (the Township) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Reporting Entity

The Township is governed by an elected five-member Board. The Township receives funding from local and state sources and must comply with all of the requirements of these funding source entities. However, the Township is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the Township's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Nos. 14 and 39.

Joint Ventures

Mid-Michigan Community Fire Control Board – The Township is a member of the Mid-Michigan Community Fire Control Board which is a joint venture between the City of St. Louis, Bethany Township, Pine River Township and Jasper Township. The Fire Board provides fire protection services to its members of local governments. The City and Townships each appoint one member to the joint venture's governing board. This board then determines and approves the annual budget.

The Township makes annual contributions to the Fire Board based on a formula using the average of the last 4 years of fire runs to determine the percentage cost applicable to each participating unit.

For the period July 1, 2005 through June 30, 2006, the Township's contribution to the Board was \$45,357.

The Township is unaware of any circumstances that would cause it an additional benefit or burden in the near future. Complete financial statements for the year ended June 30, 2006 can be obtained by writing to: Mid-Michigan Community Fire Board, 108 W. Saginaw, St. Louis, Michigan 48880.

Pine River Township
Notes to Financial Statements
March 31, 2006

Rural Urban Fire Control Board – The Township is a member of the Rural Urban Fire Control Board which is a joint venture between the City of Alma and the Townships of Arcada, Pine River, Seville and Sumner. The Board provides fire protection services to the Rural Urban Fire District. The membership of the Board is composed of seven members, of which the Township is represented by the Supervisor. The Board is responsible for preparing an annual budget (which is approved by the City and the Townships) and to carry out all activities of the Board.

The Board has established a funding formula based on assessed valuation, population, and runs. The fire fighting equipment is owned jointly by the member municipalities. The City of Alma provides day-to-day management oversight of this joint venture.

For the period July 1, 2005 through June 30, 2006, the Township's contribution to the Board was \$51,340.

The Township is unaware of any circumstances that would cause it an additional benefit or burden in the near future. Complete financial statements for the year ended June 30, 2006 can be obtained by writing to: City of Alma, 525 Superior Street, PO Box 278, Alma, Michigan, 48801.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally supported by taxes and intergovernmental revenues are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to consumers who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Pine River Township
Notes to Financial Statements
March 31, 2006

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, claims and judgments, are recorded only when payment is due.

Proprietary Fund Financial Statements - The financial statements of the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for services provided. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Pine River Township
Notes to Financial Statements
March 31, 2006

Fiduciary Fund Financial Statements - Fiduciary funds account for assets held by the Township in a trustee or agency capacity on behalf of others and, therefore, are not available to support Township operations. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township operations. The Township currently maintains an agency fund to account for the monies collected and paid to various governmental entities for property tax collections.

The Township reports the following major governmental funds:

General Fund - the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Fund - accounts for resources generated to pay for fire services provided to Township residents.

The Township reports the following major proprietary funds:

Alma Sewer Fund and the St. Louis Sewer Fund - account for the activities of the sewage collection system.

Comparative Data

Comparative total data for the prior year has been presented in order to provide an understanding of the changes in financial position and operations. Also, certain amounts presented in the prior year may have been reclassified in order to be consistent with the current year's presentation.

Budgetary Data

Budgets are adopted by the Township for the general fund and the fire fund. The budget is adopted and prepared on the modified accrual basis of accounting. The budget is also adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

The Township does not maintain a formalized encumbrance accounting system.

Pine River Township
Notes to Financial Statements
March 31, 2006

Property Taxes

Property taxes are levied on each December 1st on the taxable valuation of property located in the Township as of the preceding December 31st. These taxes are due on February 14th with the final collection date of February 28th before they are added to the county delinquent tax rolls.

For Township operations, the 2005 Taxable Valuation of the Township totaled \$62,173,406, on which .9063 mills were levied. For fire services, the 2005 Taxable Valuation of the Township totaled \$55,813,586, on which 1.75 mills were levied.

The total 2005 levy for the Township was \$154,007 of which \$56,340 was for operating purposes and \$97,667 was for fire services.

Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and certificates of deposit.

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township's deposits are in accordance with statutory authority.

Pine River Township
Notes to Financial Statements
March 31, 2006

Receivables

Receivables have been recognized for all significant amounts due the Township as of March 31st. Valuation reserves have not been provided since their collection is not considered doubtful and any uncollected amounts would be immaterial.

Inventories and Prepaid Expenditures

Inventories, which are immaterial in amount, are not recognized as an asset in these financial statements. Inventories are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

The Township's capitalization policy is to capitalize individual amounts exceeding \$500.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Township are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Land	Not Applicable – Not Depreciated
Equipment	5
Buildings	15 – 40
Sewer System	40

Pine River Township
Notes to Financial Statements
March 31, 2006

Deferred Revenue

Deferred revenue arises in governmental funds when revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises in both governmental and proprietary funds when resources are received by the government before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized.

Long-term Obligations

As of the balance sheet date, the Township does not have any long-term obligations.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the general fund and fire fund. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2006, the Township incurred expenditures in excess of the amounts appropriated as shown on page 20 of this report.

NOTE 3. DETAILED NOTES

Cash and Cash Equivalents

At March 31, 2006, the carrying amount of the Township's cash and cash equivalents was \$2,017,116 as follows:

Petty Cash	\$325
Cash Deposits	1,216,791
Certificates of Deposit	800,000
Total	\$2,017,116

Pine River Township
Notes to Financial Statements
March 31, 2006

At year end, the carrying amount of the Township's cash deposits and certificates of deposit was \$2,016,791 and the bank balance was \$2,021,525. Of the bank balance, \$400,000 was covered by federal depository insurance and \$1,621,525 was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits government funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Capital Assets

A summary of changes in the Township's governmental activities capital assets follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$14,000	-	-	\$14,000
Buildings	289,575	\$83,994	-	373,569
Equipment	33,899	17,898	(\$2,227)	49,570
Accumulated Depreciation	(110,816)	(23,496)	482	(133,830)
Net Capital Assets	\$226,658	\$78,396	(\$1,745)	\$303,309

Depreciation expense for the fiscal year amounted to \$23,496 and was charged to the general government function.

A summary of changes in the Township's business-type activities capital assets follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Sewer System	\$1,575,630	-	-	\$1,575,630
Equipment	3,254	-	-	3,254
Accumulated Depreciation	(1,005,351)	(\$39,391)	-	(1,044,742)
Net Capital Assets	\$573,533	(\$39,391)	-	\$534,142

Pine River Township
Notes to Financial Statements
March 31, 2006

Risk Management

The Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The Township has purchased commercial insurance from independent insurance providers. No settlements have occurred in excess of coverage for March 31, 2006 or any of the prior three years.

Employees Retirement System – Defined Contribution Pension Plan

Plan Description

Pine River Township participates in the John Hancock Defined Contribution Pension Plan for Michigan Township Employees. The name of the plan is the Pine River Township Group Employee's Pension Plan.

All members of the Township Board and all Township Employees are eligible to participate in the plan. As of March 31, 2006, the pension plan's current membership was 5 employees.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined. The amounts participant's receive depend solely on the amounts contributed to the participant's account and the returns earned on those contributions.

Funding Policy

Participants are required to contribute 7.5% of annual salary with the Township contributing an additional 7.5% of each employee's annual salary to the plan. Participant and employer contributions are immediately 100% vested.

During the year, the Township's actual contributions to the plan amounted to \$5,918, which includes \$2,959 of employer contributions, and \$2,959 of employee contributions.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE

Pine River Township
Combined Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
General Fund and Fire Fund
Year Ended March 31, 2006

	General Fund				Fire Fund			
	Original	Final	Actual	Variance	Original	Final	Actual	Variance
Revenues								
Taxes and penalties	\$82,200	\$82,200	\$95,801	\$13,601	\$104,577	\$104,577	\$101,494	(\$3,083)
Licenses and permits	5,000	5,000	5,759	759	-	-	-	-
State grants	155,215	155,215	170,171	14,956	-	-	-	-
Interest and rentals	10,000	10,000	22,022	12,022	-	-	3,650	3,650
Other revenues	26,200	26,200	39,378	13,178	-	-	-	-
Total revenues	<u>278,615</u>	<u>278,615</u>	<u>333,131</u>	<u>54,516</u>	<u>104,577</u>	<u>104,577</u>	<u>105,144</u>	<u>567</u>
Expenditures								
Legislative	43,836	50,836	42,240	8,596	-	-	-	-
General government	158,090	160,690	118,797	41,893	-	-	-	-
Public safety	-	-	-	-	104,779	104,779	118,367	(13,588)
Public works	176,452	176,452	158,941	17,511	-	-	-	-
Community and economic development	29,790	24,690	32,094	(7,404)	-	-	-	-
Capital outlay	98,000	98,000	97,092	908	-	-	-	-
Total expenditures	<u>506,168</u>	<u>510,668</u>	<u>449,164</u>	<u>61,504</u>	<u>104,779</u>	<u>104,779</u>	<u>118,367</u>	<u>(13,588)</u>
Excess of revenues over (under) expenditures	<u>(227,553)</u>	<u>(232,053)</u>	<u>(116,033)</u>	<u>116,020</u>	<u>(202)</u>	<u>(202)</u>	<u>(13,223)</u>	<u>(13,021)</u>
Fund balance - beginning of year	<u>879,968</u>	<u>879,968</u>	<u>879,968</u>	<u>-</u>	<u>162,139</u>	<u>162,139</u>	<u>162,139</u>	<u>-</u>
Fund balance - end of year	<u>\$652,415</u>	<u>\$647,915</u>	<u>\$763,935</u>	<u>\$116,020</u>	<u>\$161,937</u>	<u>\$161,937</u>	<u>\$148,916</u>	<u>(\$13,021)</u>

See accompanying notes to financial statements.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Township Board
Pine River Township
Gratiot County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of Pine River Township (the Township) as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated May 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Township, in a separate letter dated May 16, 2006.

This report is intended solely for the information and use of the audit committee, management, and the Township Board and is not intended to be and should not be used by anyone other than these specified parties.



Roslund, Prestage & Company, P.C.
Certified Public Accountants

May 16, 2006



Management Letter

Members of the Board
Pine River Township
St. Louis, Michigan

In planning and performing our audit of the financial statements of Pine River Township for the fiscal year ended March 31, 2006, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our audit report dated May 16, 2006, on the financial statements of Pine River Township.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience.

Sincerely,

Roslund, Prestage & Co, PC
Roslund, Prestage & Company, P.C.
Certified Public Accountants

May 16, 2006

Organizational Structure

The size of the Township's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Township Board remains involved in the financial affairs of the Township to provide oversight and independent review functions.

Additionally, we recommend the Township Board review bank statements, cancelled checks and paid invoices on a regular basis.

Hall Rental Account

During our audit, we noted that the Township maintains a separate bank account for hall rental income. Periodically, funds from this account are transferred into the general fund. However, this cash account continues to not be reflected on the Township's trial balance. Through discussion with management we understand that the Township intends to include this cash account as an asset in the general fund as of the beginning of the 2007 fiscal year. We recommend that a monthly review of the account be made in order to ensure that the transition of both the account balance and the activity into the general fund is accomplished.

Investigate Differences between the Bank Statement Balance and the General Ledger

We noted that in the bank reconciliation for the main operating account there is a small difference between the treasurer's report amount and the amount on the trial balance. It is important for the control over cash that this account is reconciled to the penny. Unreconciled differences that appear immaterial can obscure significant but offsetting items (such as bank errors or improperly recorded transactions) that would be a cause for investigation if the items were apparent. Also, if small differences are not reconciled on a monthly basis, over time they can build up to a significant amount that would be difficult to reconcile. In preparing the bank reconciliations, all items should be investigated and corrected in that period.

Separately Code Capitalizable Expenditures

The Township does not capitalize property and equipment acquisitions during the year; instead, the expenditures are recorded in one expense account, along with small equipment purchases, and then, when the annual financial statements are prepared, capitalizable expenses are reclassified.

In order to identify those purchases that will be capitalized, we recommend that purchases of major property and equipment be coded to a separate expense account. This will allow management to continue to assess all current expenditures along with identifying significant purchases of property and equipment that will later be capitalized in the financial statements.

Reconcile Tax Withholdings to Tax Deposits

Our review of the Township's payroll documentation revealed a discrepancy in tax deposits and tax liabilities at year end. Currently, Internal Revenue Service Form's 941 are prepared for the Township by a third party and submitted to the Township for signature and submission. Because final responsibility for the 941 Forms and deposits rests with the Township, we recommend the Township accounting personnel review these forms, along with the related deposits and payroll documents on a quarterly basis.